



MEMORANDUM CIRCULAR NO. 20-001 Series of 2020

Date: 21 January 2020

To: FINANCIAL TECHNOLOGY SOLUTIONS AND OFFSHORE
VIRTUAL CURRENCY EXCHANGE (FTSOVCE) LICENSEES

Subject: Suspension of Monthly Recurring Fees (MRF) for Offshore Virtual
Currency Exchange Operations and Net Annual Business Transaction Fee
for Financial Technology Solutions Services

WHEREAS, Sections 8 and 45 of the *Financial Technology Solutions and Offshore Virtual Currency Business Rules and Regulations of 2018 of the Cagayan Economic Zone Authority (CEZA FTSOVCBRR of 2018)* provides:

Section 8. Transaction Fee Sharing Agreement – *The FTSOVC transaction fees shall be shared between CEZA and the Licensee in the following manner:*

a.) *A fee of 4% of the net annual business transaction value generated by Financial Technology Solutions services, will be divided as follows:*

*70% to Central Audit System
30% CEZA*

b.) *A recurring fee of 0.1% of each transaction value generated by Offshore Virtual Currency Exchange services, or 10,000 USD per month whichever is higher, will be divided as follows:*

*70% to Central Audit System
30% CEZA*

Section 45. Functions and Powers of the Regulator – *The CEZA is hereby given authority to conduct necessary and reasonable acts towards the full enforcement of this CEZA FTSOVCBRR of 2018 and shall likewise be authorized to amend, create, and abolish rules as current legal, financial, administrative, and economic circumstances demand.*

WHEREAS, the CEZA, pursuant to its powers and authority under its charter, Republic Act 7922, authorized the operations of FTSOVCE Licensees to be temporarily located in Metro Manila during the incubation period of two (2) years from the issuance of their provisional FTSOVCE License.





REPUBLIC OF THE PHILIPPINES
OFFICE OF THE PRESIDENT
Cagayan Economic Zone Authority

WHEREAS, on 01 October 2018, the CEZA issued Memorandum Circular No. 10-01, Series of 2018 directing the payment of the Revised OVCE Transaction Fee (Monthly Recurring Fee or MRF) by OVCE license holders based on their monthly transaction volume.

WHEREAS, in September 2019 the Office of the President of the Republic of the Philippines issued a directive that all CEZA FTSOVCE Licensees shall locate and operate only within the Cagayan Special Economic Zone and Freeport (CSEZFP)—thereby lifting the previous authority granted to FTSOVCE licensees to operate in Metro Manila.

WHEREAS, in February 25, 2019, the CEZA conducted a ground-breaking ceremony for the construction of the CEZA Commercial Center; and consequently, on October 25, 2019, the CEZA also signed an Agreement with Alpha Palawig Cagayan Development Corporation for the construction of a Fintech ICT Hub. Both facilities could be utilized for the FTSOVCE operations of the respective licensees. The facilities are estimated to be ready for occupation in the last quarter of 2020 and second quarter of 2021, respectively.

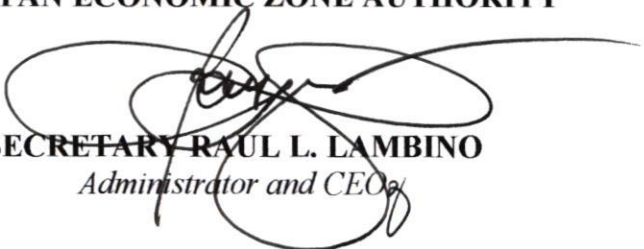
THEREFORE, in consideration of the above premises, all FTSOVCE licensees, both Principal and Regular Licensees, are hereby **DIRECTED** to immediately locate operations within the CSEZFP and begin/continue their back-office operations therein as authorized under their license. Meanwhile, while such transfer into the CSEZFP is underway, the CEZA hereby **SUSPENDS** the accrual and collection of the MRF (for OVCE's) and Annual Transaction Fees (for FTSBE's) beginning October 2019 onwards until further notice from the CEZA.

Licensees are reminded that pursuant to Section 20 of the CEZA FTSOVCBRR of 2018, failure to comply with this directive may subject them to sanctions that may include monetary penalties, suspension and/or cancellation of their license.

For strict compliance.

CAGAYAN ECONOMIC ZONE AUTHORITY

By:


SECRETARY RAUL L. LAMBINO
Administrator and CEO



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